



June 10, 2024

The Honorable Anthony Portantino
California State Senate
1021 O Street, Room 7630
Sacramento, CA 95814

**RE: Senate Bill 1116 – Unemployment insurance: trade disputes: eligibility for benefits – Notice of Opposition
(As Introduced February 13, 2024)**

Dear Senator Portantino:

On behalf of the City of Carlsbad, I am writing to respectfully oppose Senate Bill (SB) 1116, which would provide employees who remain on strike for more than two weeks with unemployment insurance (UI) benefits, thus requiring employers to fund ongoing labor disputes.

Under existing law, UI payments are intended to assist employees who, through no fault of their own, are forced to leave their employment. Participating local agencies fund these payments via an Unemployment Insurance Reserve Account (UI Fund) with the Employment Development Department (EDD).

SB 1116 makes a significant change to this approach by providing unemployment to workers who are currently employed, and not seeking other employment, but have chosen as a labor negotiating tactic to go on strike. In the event of a strike that lasts over two weeks, SB 1116 would allow all striking workers to claim UI benefits for up to 26 weeks. In this situation, a local government agency would experience simultaneous claims that would significantly increase UI costs. These costs would impact public employers, such as cities, counties, special districts, and joint powers authorities. It would also impact K-12 schools, as school districts directly pay a portion of employee wages to the state fund through the School Employee Fund, coordinated through their County Office of Education.

A similar bill advanced through the Legislature in 2023, SB 799 (Portantino). According to the Assembly Appropriations analysis of SB 799, the state depleted its UI fund during the COVID-19 pandemic and had to borrow approximately \$20 billion from the federal government to pay claims. The analysis also noted that the Legislative Analyst's Office estimates that the federal loan could be repaid by 2032, absent any other actions impacting the solvency of the fund or another recession. However, a recent EDD report has noted that the state's outstanding balance on its UI Fund is expected to reach \$21 billion by 2025, likely pushing the repayment date. SB 1116 would further prolong the complete repayment of this debt, putting long-term pressure on the state's budget. The Governor vetoed SB 799 due to similar concerns about the state's federal UI debt and there is no reason to believe that the thinking on SB 1116 will be any different.

Local government revenues are incredibly restrictive and funding sources are limited. As cost pressures continue to increase for local governments and public agencies for the foreseeable future, it is critical that we have a fiscally solvent UI system so that local agencies can continue to provide services to the public and provide competitive benefits to our active and retired employees. In addition to its considerable costs to public employers, SB 1116 will likely further harm the already insolvent UI Fund and threaten benefits to unemployed Californians in future recessions.

City of Carlsbad City Council

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Furthermore, with a more than \$45 billion state budget deficit looming, it would be detrimental to increase cost pressures on the state's UI fund while the state is simultaneously preparing to make large shifts, reductions, and delays in its 2024-2025 budget to close the shortfall. The burden of this deficit should not be placed on the backs of local governments which have their own fiscal challenges.

It is also important to note that this measure will further erode good faith negotiations at the bargaining table between local agency employers and employees. Public employers work hard to engage in good faith bargaining. If SB 1116 were to become law, we anticipate longer lengths of impasse, higher costs associated with protracted Public Employee Relations Board (PERB) proceedings, and a decline in the quality of public services. These impacts could be amplified by other pending measures concerning sympathy strikes and collective bargaining for temporary employees.

The City of Carlsbad opposes measures that would grant employee benefits that should be decided at the local bargaining table. Furthermore, the city opposes legislation that would reduce local authority to resolve public employee disputes.

For these reasons, we must respectfully oppose your measure. Should you have any questions, please contact our legislative advocate Sharon Gonsalves with Renne Public Policy Group at 916-974-9270.

Sincerely,

A handwritten signature in black ink, appearing to read 'K Blackburn', written in a cursive style.

Keith Blackburn, Mayor

CC: The Honorable Tasha Boerner, Assembly District 77
Brady Borcharding, Deputy Legislative Secretary, Governor Gavin Newsom's Office of Legislative Affairs